

Budget Update and Preparing for the Next Biennium

Executive Branch Budget and Fiscal Officers
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Outline for Today

- ◆ Introductions
- ◆ Overview of the Fiscal Outlook for FY 04
– FY 08
- ◆ Timelines
- ◆ Overview of Budget Instructions
 - Operating
 - Capital
- ◆ Questions and Answers

<http://www.osbd.state.ky.us>

Consensus Forecasting Planning Estimates

- ◆ 5 Year Outlook
- ◆ Unofficial Estimates
- ◆ Preliminary View

Kentucky Economic Outlook

FY04-FY08

(Percent Change)

	Personal Income	Employment	Mfg Employment
FY04	3.2%	0.2%	-2.3%
FY05	5.4%	2.3%	4.1%
FY06	5.5%	2.1%	3.4%
FY07	5.7%	1.9%	2.4%
FY08	5.6%	1.8%	2.0%

Outlook for FY 04

“The Good News”

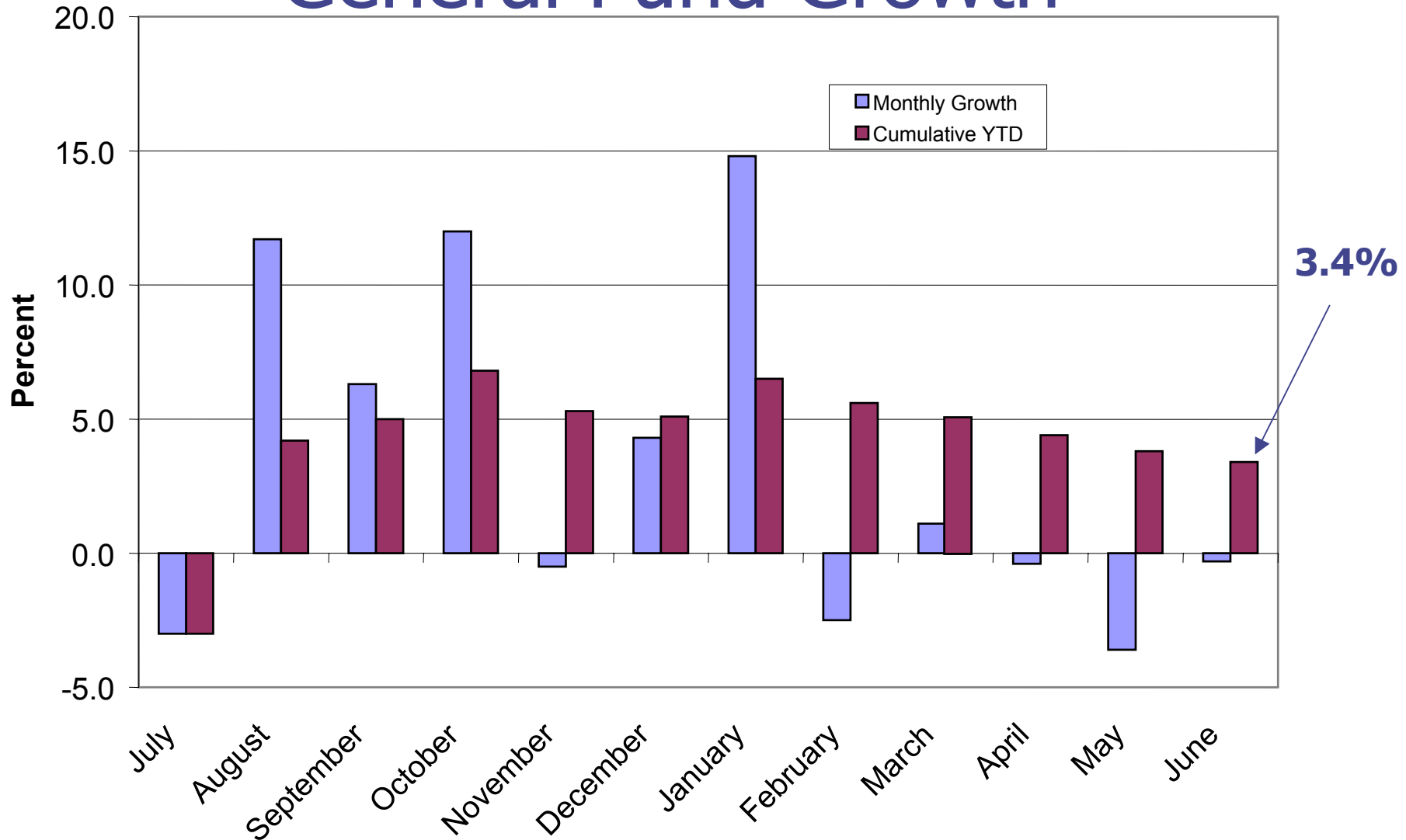
- ◆ Began the Year As Planned – with \$138.7 Million
- ◆ Will Receive \$68.7 Million FY 04 Federal Fiscal Relief in October
- ◆ \$54.8 Million Balance in the Budget Reserve Trust Fund
- ◆ Continue to Reduce Expenditures /Cost–Saving Measures (last year generated \$35 million)
- ◆ July Receipts Were Positive

Outlook for FY 04

"The Bad News"

- ◆ If Not For Federal Fiscal Relief – We Would have Started FY 04 \$45 Million Short
- ◆ Federal Fiscal Relief is Non-Recurring Money
- ◆ Structural Imbalance Grows
- ◆ July Receipts Last Year were Negative
- ◆ Projected \$274.4 Million Revenue Shortfall
 - FY 03 Revenues Included \$192 Million in One-Time Funds
 - Expectations for Recovery are Delayed

Monthly and Cumulative FY03 General Fund Growth



FY04 General Fund Estimate Jan-August Comparison

	Jan/Apr	August	
			\$ Chg.
	Estimate	Estimate	from Jan
Sales & Use	2,467.2	2,377.6	-89.6
Individual Income	2,983.0	2,729.6	-253.4
Corporation Income	404.1	438.2	34.1
Coal Severance	140.6	140.7	0.1
Property	444.3	448.7	4.4
Lottery	148.9	163.8	14.9
Other	502.9	518.0	15.1
GENERAL FUND	7,091.0	6,816.6	-274.4

FY05-08 General Fund Budget Planning Estimate

	Million \$	% Growth
FY 2005	7,052.1	3.5
FY 2006	7,395.2	4.9
FY 2007	7,750.8	4.8
FY 2008	8,108.5	4.6

FY04-06 General Fund Budget Planning Estimate

	Million \$	\$ Growth	% Growth
FY 2004	\$ 6,816.6	\$ 33.1	0.5%
FY 2005	\$ 7,052.1	\$ 235.5	3.5%
FY 2006	\$ 7,395.2	\$ 343.1	4.9%

Budget Timeline

- ◆ July 23 - Budget Instructions Distributed to State Agencies
- ◆ August 12 - Consensus Forecasting Group Planning Report (FY 04 – FY 08)
- ◆ October 15 - CFG Preliminary Estimates (FY 04 – FY 06)
- ◆ November 3 - Agency Budget Requests Due
- ◆ November 4 - Gubernatorial Election
- ◆ December 9 - Inauguration Day
- ◆ January 27, 2004
 - CFG Revenue Revisions (If necessary)
 - Governor Introduces Executive Budget

FY 04 – 06 Budget Instructions

- ◆ Focus on the “Base”
- ◆ Focus on Lowest Discrete Activity Level
- ◆ Focus on Performance